

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
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DATE: August 20, 2004

PERSONNEL LETTER 04-009  
CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief  
Personnel/Payroll Services DivisionRE: **IMPLEMENTATION OF THE ALTERNATE RETIREMENT PROGRAM**

This letter provides information regarding implementation of the new Alternate Retirement Program (ARP). The new program is mandatory for employees hired on or after August 11, 2004 when they become eligible for miscellaneous or industrial CalPERS membership. The ARP is administered by the Department of Personnel Administration (DPA) Savings Plus Program. Refer to DPA Personnel Management Liaisons Memo dated August 18, 2004 (Reference Code: 2004-040) for details on the ARP.

The State Controller's Office (SCO) has implemented ARP as a retirement withholding. Employees covered by ARP are identified on the Employment History Data Base (EHDB) via unique retirement account codes as follows:

TK - CalPERS miscellaneous member subject to Social Security and Medicare

TP - CalPERS industrial member subject to Social Security and Medicare

TR - CalPERS miscellaneous member subject to Social Security and Medicare in  
BU18 at Porterville Developmental Center

Departments will be responsible for entering the appropriate account code on the appointment, 405, or 545 transactions or via a 505 transaction if the employee does not become an ARP participant until a later date (i.e., employee is intermittent and placed in PST until the required number of hours are worked for CalPERS eligibility). The NOPA was modified to print a new message indicating that the employee is contributing to ARP.

Once an employee has completed her/his 24 months of ARP participation, the employee begins making contributions to CalPERS. Departments must process a 505 transaction to change the employee's retirement account code to the appropriate miscellaneous/industrial CalPERS retirement account code. Refer to the Personnel Action Manual Section 2.62 for the CalPERS retirement account codes. SCO is currently studying the feasibility of tracking the 24 month ARP participation period to provide departments with a report identifying employees whose 24 months in ARP is nearing completion. Subsequent information will be issued if a tracking and reporting process can be developed.

**Note: New appointments for ARP eligible employees effective on or after August 11, 2004 that were processed prior to receipt of this letter will need to be corrected to enter the appropriate retirement account code.**

### ARP CURRENT MONTH WITHHOLDINGS

ARP contributions will be withheld beginning with the August 2004 pay period. The types of earnings subject to ARP retirement withholdings are the same as those subject to existing retirement deductions.

The ARP contribution rate of 5% of the gross wages above \$513.00 per month will be deducted from the appropriate payments. The contribution amount will be excluded from the calculation of federal and state taxes (i.e., reduces taxable gross). There is no employer contribution/state share associated with the ARP.

Employees participating in ARP can still voluntarily enroll and contribute to the 401(k) Plan, 403(b) Plan, and/or 457 Plan. However, federal rules limiting the amount that can be contributed annually to 401(a) (ARP), 403(b), 401(k), and 457 Plans still apply.

Account codes TK, TP, and TR will be used to identify ARP retirement amounts within the RETIREMENT fields on various payroll reports, tapes, files, and on-line inquiry screens. Specifically, ARP retirement will be reflected in the RETIREMENT fields on the following:

- Earnings Statement/Direct Deposit Advice
- Warrant Registers
- Payment History Online (HIST) screens
- Suspended Payment listings
- Payment History tapes
- Accounts Receivable notices

### ADJUSTMENTS

PPSD will establish Deduction Code 005 for ARP adjustments. Both arrears deductions (when no ARP contribution was withheld from previous earnings) and refunds (when contributions were erroneously withheld) for ARP will be processed in the same manner as existing retirement adjustments.

To minimize the need for corrections, departments should process Employment History (EH) documents on a current basis. Also, if a department has processed EH documents with the incorrect retirement account code, correcting documentation should immediately be processed.

### FORM W-2

ARP withholdings will not be reported as either a retirement plan or deferred compensation on the Form W-2.

## REPORTING OF CONTRIBUTIONS

ARP contributions will be remitted to DPA twice a month. Each remittance will be followed by a report to DPA identifying the ARP retirement amount deducted for each employee.

The Payroll Procedures Manual (PPM) and Personnel Action Manual (PAM) will be updated with ARP information in the near future.

Questions concerning ARP administration should be directed to DPA Savings Plus Program at (916) 324-2909. CalPERS eligibility and benefit questions should be directed to CalPERS at (888) 225-7377.

Question concerning personnel transaction processing should be directed to your assigned Personnel Specialist Representative at SCO. Payroll processing questions should be directed to PPSP's Retirement Unit at (916) 324-1471.

JH:PMAB:jld